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SUBJECT: BOLIVIA CALM FOR PRODUCTIVE BRAZIL/CHILE SUMMIT

Classified By: EcoPol Chief Mike Hammer for reasons 1.4 (b) and (d)

11. (C) Summary. Bolivian President Evo Morales joined his Brazilian and Chilean counterparts December 16 to sign a \$900 million road project to link South America's Pacific and Atlantic coasts via Bolivia. He also received a \$750 million commitment for natural gas investments from Brazil the next day. The opposition, meanwhile, suspects the lack of a crack down for autonomy measures passed December 14 and 15 in four opposition-controlled states has much to do with Evo wanting to bask in the international spotlight. Indeed, Morales and the official government news agency heralded the agreements as victories demonstrating Morales' international legitimacy, in contrast to an unreasonable and violent opposition. Lula seemed eager to play the role of international cheerleader, calling Morales the "face of Bolivia" and the harbinger of "historic change" to the continent. End Summary.

The Road Less Traveled By No More  
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12. (U) Bolivian President Evo Morales, Brazilian President Luiz Inacio Da Silva, and Chilean President Michelle Bachelet signed \$900 million Declaration of La Paz December 16 to complete 4,700 kilometers of highway linking South America from Atlantic to Pacific. New highways added to existing motorways will link La Paz with the Chilean ports of Arica and Iquique to the west and with the Brazilian metropolis of Sao Paulo on the east. Once completed in about two years, the highway will transport an estimated 2,000 million metric tones of largely agricultural and mineral products. Bachelet stressed the highway's significance to integrating South America with the Asian-Pacific rim while Lula underscored the interconnectedness of all South American countries. Morales said the highway is symbolic of power of compromise and, in an apparent barb at the opposition, said "we are betting that transformations between Bolivians and between South Americans will be peaceful."

Chilly Chilean Relations Warming  
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13. (U) Bachelet and Morales met for 45 minutes after the

signing. Although neither advisors nor the media was allowed into the one-on-one meeting, it was widely speculated the two leaders talked about the polemic issue of Bolivian access to the Pacific. Although few Chilean heads of state have visited Bolivia since Bolivia lost its coastal territories to Chile in 1884, Bachelet has traveled to La Paz three times during Morales' two years in office. While relations have warmed, resulting in the July 2007 13-points agenda, which includes Bolivian demands for ocean access, Bolivian resentment continues to run high and the countries have not formally re-established diplomatic ties broken in 1978. Bachelet expressed confidence that "the prejudices that no one can justify can disappear, because often the insecurities and such prejudices have been limited by the relations among counties that are calling for integration."

#### Lula Fills YPFB Stocking with Cash

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¶4. (U) Lula and Morales also signed an energy cooperation agreement December 17. The Brazilian state energy company Petrobras will invest an estimated \$750 million in natural gas exploration and production with Bolivian's state energy company YPFB. Lula estimated the project would increase production by about 8 million cubic meters per day within four or five years. The joint-venture will look for new fields in Tarija, Santa Cruz, and Chuquisaca. Petrobras also agreed to pay \$180 million a year for liquid components (propane and butane) in the 30 million cubic meters of Bolivian natural gas currently piped to Brazil each day. Petrobras remains the largest investor in Bolivian natural gas. Lula stressed future expansion of bilateral relations beyond the hydrocarbon sector into agricultural, education, health, counternarcotics, and industrial cooperation.

#### Saccharin Praise for the "Face of Bolivia"

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¶5. (U) Lula said the gas deal was possible because the Bolivians were willing to provide "rules of the game" for investment. He said the agreement signaled the end of tense relations following the May 2006 "nationalization" of the hydrocarbon industry, after which Petrobras froze investment. "I would like to think we have overcome this (bilateral problems) and that we have initiated a new step in our relations with more positive, more constructive (relations) based on dialogue," said Lula. He added that Morales "represented an historic change" for the region and that "Bolivia has a president with the face of its people," referring to Morales' indigenous roots. Lula also gave Morales some advice in "these times of conflict" on December 17, telling Evo to have "patience, patience, patience, because, certainly, the people will ultimately pick the (right) direction for democracy." State media agency ABI characterized the Lula and Bachelet visits as a sign of "support for the democratic government of Evo Morales" and of rejection for the Bolivian opposition, which is meanwhile "trying to divide the country."

#### Evo Backs Off to Bask in Brazil/Chile Summit

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¶6. (C) Opposition leaders in Santa Cruz told PolOff the Lula/Bachelet trip ensured Evo would not crack down on opposition-led departments (states) for passing autonomy measures December 14 and 15. According to opposition leaders, the government feared violent clashes would steal the international spotlight from the summit and force a more critical look at the Morales administration worked to restrain Morales from any provocative actions. They predicted a lull in the government-opposition standoff until after the holidays.

#### Comment

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¶7. (C) Evo got what he wanted: with no bloody conflicts to distract the international spotlight, Evo came away from the

summit with substantive international agreements and many photo ops. Lula appeared to be only too willing to offer cash and praise for the Morales administration. The long-anticipated deal with Petrobras was intended to show Evo that Lula and Brazil can be a superior partner to Venezuelan President Hugo Chavez. Politically, Lula is trying to move Bolivia back into its political orbit. In interviews, Brazilian officials have downplayed Bolivia's domestic turmoil and focused on gas deals for its ever increasing energy demands. Relations with Chile indeed seem to be improving, but they are rebounding from a very low starting point and, as one of our Foreign Ministry contacts told us, "any agreement on the lost territories is years away." End Comment.  
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